

1. Constitution

- 1.1. The Executive Board (“the Board”) has established a committee of the board known as the Audit Committee (“the Committee”) as required under Charter article 35(3).
- 1.2 This document provides the Standing Orders for the Committee and should be read in conjunction with the Standing Orders for the Board where relevant.

2. Purpose

- 2.1 The core purpose of the Committee is to review and maintain oversight of the BBC’s corporate governance particularly with respect to financial reporting, internal control and risk management.
- 2.2 The responsibilities of the Committee are outlined in section 9.

3. Membership and attendance

- 3.1 Members of the Committee are appointed by the Board on the recommendation of the Nominations Committee, in consultation with the Chairman of the Audit Committee. Including the Chairman, the Committee consists of three non-executive directors, one of whom must have recent and relevant financial experience.
- 3.2 The Chairman of the Committee is an independent non-executive director, appointed by the Board.
- 3.3 The Chairman of the Board shall not be a member of the Committee.
- 3.4 Other individuals may be invited to attend all or part of any meeting as and when appropriate. The Committee may also seek such advice and/or assistance from individuals as it considers appropriate. This may include (but not be limited to):
 - Chairman of the Board
 - Director General (if not the Chairman of the Board)
 - Group Finance Director
 - Head of Business Assurance
 - BBC members of staff
 - Members of staff from the BBC Trust Unit (for example, the Director, Trust Unit and Head of Finance, Economics and Strategy).
- 3.5 The External Auditors will be invited to attend meetings on a regular basis.
- 3.6 The Head of the Executive Unit (or their nominee) attends as secretary of the Committee but the Committee is free to meet in private at any time.

4. Quorum

- 4.1 The quorum necessary for the transaction of business is two Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in it or exercisable.

5. Frequency of Meetings

- 5.1 The Committee meets at least four times a year and at other times as required with meetings timed according to the BBC financial reporting cycle. The Committee routinely meets in London but from time to time may meet at BBC venues outside of London.
- 5.2 Meetings are arranged to tie in with the publication of the company's financial statements, allowing sufficient working days prior to a Board Meeting where accounts or financial statements are to be approved.
- 5.3 Meetings may be held without members being physically present in the same place, for example by telephone or video-conference. When a member attends by telephone or video-conference they are counted as being in attendance for the purposes of a quorum.

6. Notice of Meetings

- 6.1 Meetings of the Committee are summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no fewer than five working days prior to the date of the meeting.

7. Minutes of Meetings

- 7.1 The Secretary (or their nominee) shall minute the proceedings and resolutions of all meetings of The Committee, including recording the names of those present and in attendance.
- 7.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Committee members should also advise the Secretary of any conflicts, as they arise, outside of the meetings¹.
- 7.3 Minutes of the Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to the Chairman and all members of the Board.
- 7.4 Minutes of the Committee and any reports by internal and external auditors shall be circulated to the BBC Trust Finance and Strategy Committee as required.

8. Authority

- 8.1 The Committee is authorised by the Board to:
 - Investigate any activity within its terms of reference;
 - Seek any information that it requires from any employee of the company and all employees are directed to cooperate with any request made by the Committee;
 - Obtain outside legal or independent professional advice and such advisors may attend meetings as necessary; and
 - To request a meeting of the Board where appropriate.

9. Responsibilities

In line with the highest standards of corporate governance, the Committee has responsibilities in the following areas:

¹ This is in line with the Code for Executive Board Directors, detailing responsibilities and other requirements.

9.1 *Internal Control and Risk Management*

- To review the company's procedures for detecting fraud and whistle blowing and ensure arrangements are in place by which staff may, in confidence raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters;
- To review management's and the internal auditors reports on the effectiveness of the systems for internal financial control, financial reporting and risk management, and provide updates quarterly to the BBC Executive Board and six monthly to the Trust Finance and Strategy Committee
- To monitor the integrity of the BBC's internal financial controls
- To review the statements in the annual report and accounts on the BBC's internal controls and risk management framework
- To assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks and report on these to the BBC Executive Board, for onward submission to the Trust Finance and Strategy Committee.

The BBC Trust Finance and Strategy Committee also has a responsibility of oversight for the Committee on behalf of the Trust in certain areas as defined in the Finance and Strategy Committee terms of reference.

9.2 *Annual Reporting on Financial and Governance Issues*

- To review and challenge where necessary, the actions and judgements of management in relation to the BBC's annual report and accounts, operating and financial review and related formal statements before submission to and approval by the Executive Board and before clearance by the auditors. Particular attention should be paid to:
 - Critical accounting policies and practices, and any changes in them;
 - Decisions requiring a significant element of judgement;
 - The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
 - The clarity of disclosures
 - Significant adjustments arising from the audit;
 - The going concern assumption;
 - Compliance with accounting standards
 - Compliance with regulations and other legal matters
- To consider other topics as defined by the board
- To make recommendations to the Board on the approval of the Report and accounts and the letter of representation.

9.3 *Internal Audit*

- To concur in the appointment, replacement or dismissal of the Head of Internal Audit;
- To refer appointment of the Head of Internal Audit to the BBC Trust Finance and Strategy Committee;
- To approve Internal Audit's work programme and put forward to the Finance and Strategy Committee for review.
- To review the planned and actual activities and resources of the Internal Audit function and ensure no unjustified restrictions or limitations are made;
- To receive a report on the results of the Internal Auditors' work on a periodic basis;
- To review and monitor management's responses to the recommendations and findings of the Internal Auditors;
- To meet separately with the Head of Internal Audit to discuss any matters that the committee or the auditors believe should be discussed privately and to ensure that Internal Audit is accountable to the Audit Committee; and
- To review the effectiveness of the Internal Audit function and ensure that it has the appropriate standing within the BBC.

9.4 *External Audit*

- To make recommendations to the BBC Trust Finance and Strategy Committee regarding the appointment, dismissal and remuneration of the external auditors;
- To review the external auditors' proposed audit scope and strategy and ensure no unjustified restrictions or limitations are made and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- To review the findings and recommendations made by the external auditors including, any major issues that arose during the audit that have subsequently been resolved and those issues that are unresolved; key accounting and audit judgements, levels of errors identified during the audit, obtaining explanations from management and where necessary from the external auditors as to why certain errors might remain unadjusted
- To meet separately with the external auditors to discuss any matters that the committee or the auditors believe should be discussed privately;
- To consider the independence of the external auditor including seeking reassurance that the external auditors and their staff have no family, financial, employment, investment or business relationship with the BBC (other than in the normal course of business); seeking from the audit firm on an annual basis information about policies and processes for maintaining independence including ensuring that key partners are rotated at appropriate intervals, monitoring the external auditor firms compliance with applicable ethical guidance relating to the level of fees payable by the BBC in proportion to the overall income of the firm
- To pre approve and review fees in respect of non audit services provided by the external auditor in accordance with the BBC's policy on non-audit fees and to ensure the provision of non audit services does not impair the auditors' independence or objectivity; and
- To review the performance of the external auditors.

9.5 *Other areas*

- To consider the post implementation review on major investments over £5m; and
- To consider any other matters when requested to do so by the Board or the BBC Trust Finance and Strategy Committee.

10. Review and reporting

- 10.1 The Committee shall annually review its own performance and terms of reference and recommend any changes to the Board for approval.
- 10.2 The Committee Chairman shall formally report to the Board at least once a year on all matters within the Committee's duties and responsibilities. The Committee shall also make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is need.